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FOCUS

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Newsletter of the AICPA
Business Valuation and
Forensic & Litigation Services Section

What's Inside

AICPA

The Use of Firm Precepts as a Practice Management Tool

By Robert F. Reilly, CPA/ABV, ASA, CBA, CFA, CMA

According to a dictionary definition, a precept is a rule of conduct or behavior. Such rules of conduct or behavior can help a litigation support and valuation firm (whether structured as an accounting or consulting firm) to clearly and concisely communicate its expected employee behaviors to its entire staff. This is particularly true for rapidly growing firms and for multi-office firms.

At Willamette Management Associates, we have ten basic rules of conduct, or precepts, for all analysts. These ten precepts cover a fairly wide range of administrative, practice management, and professional topics. The ten basic rules of conduct are listed in "Willamette Management Associates General Employee Precepts" (See page 2.)

Every professional services/consulting firm should have its own "top ten list" of analyst precepts. Publishing such a list reminds all firm members (both professional and support staff) of the most important firm policies and procedures. The use of a simple list of employee precepts can be an effective firm practice management tool.

Precepts: a Summary of Comprehensive Policies and Procedures

Like the Mosaic Ten Commandments, our firm's ten precepts summarize and refer to more voluminous policies and procedures. The Ten Commandments are presented about half way through the book of Exodus. Later in Torah, the book of Deuteronomy details the literally hundreds of specific dietary and other behavioral rules the children of Abraham are expected to adhere to.

Similarly, our ten precepts summarize and refer to our firm's employee manual, administrative policies, report writing manual and style guide, and so forth. Those more voluminous documents delineate firm-specific policies and procedures. The precepts simply remind the analysts that compliance with these policies and procedures is expected. For example, our firm analysts are expected to be familiar with the details of the firm's record retention policy. The firm precepts simply reinforce the expectation that the policy is important and should be complied with.

And, like the Ten Commandments, the firm precepts summarize basic rules of behavior that allow all firm analysts to know what is expected of each other and to function together effectively and efficiently.

Functions of Firm Precepts

Our firm's ten precepts are a useful tool for training new analysts, including both novice and experienced hires. The precepts succinctly summarize much of the "how we do things here," the institutional protocols of our firm. The ten precepts are also a useful checklist at both midyear and annual employee performance reviews of both junior level and senior level analysts.

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Willamette Management Associates General Employee Precepts

1. We document all client services, deliverables, and fee arrangements in written engagement letters. Each engagement letter includes our firm's standard client indemnification language. We also document all changes or amendments in client services, deliverables, and fee arrangements in written correspondence to clients. We include copies of all engagement letters and amendments thereto in the accounting department case file.
2. We obtain a signed engagement letter and a reasonable retainer payment before the accounting department assigns a client/case number. We complete a Case Information Form before the accounting department assigns a client/case number. We do not charge time to an engagement or incur case-related expenses without (a) a signed engagement letter and (b) a client/case number
3. We expect to be fully paid for the professional services we perform. Therefore, we submit completed timesheets to the accounting department on a timely basis. We also submit completed client billing memorandums to the accounting department on a timely basis. We promptly invoice clients for all professional time and out-of-pocket expenses incurred on engagements.
4. We expect to collect all of our client receivables. We stay in frequent contact with clients in order to collect past-due receivables. Consistent with the standard terms of our client engagement letters, we do not deliver final engagement reports/deliverables or provide expert testimony until all client receivables are brought current.
5. We are aware of and comply with the firm's policy regarding new engagement client conflict checks in any controversy-related (or potentially controversy-related) engagement.
6. We are aware of and comply with the firm's employee manual administrative policies regarding vacation, sick days, standard work hours/days, personal professional development, and other human resources issues.
7. We subject each client report, firm opinion, and engagement letter to a professional standards review (PSR) procedure before it is issued on letterhead to parties outside the firm. This PSR procedure may be performed by any appropriately qualified member of the professional staff who was not directly involved in the subject engagement, project, or proposal.
8. We adhere to the firm's Style Guide and signature policy with regard to the preparation of each report, opinion, engagement letter, presentation, resume, and other documents issued on firm letterhead and disseminated outside the firm. We comply with the firm's Style Guide and signature policy with regard to both the content and the format of all written documents.
9. We prepare written workpaper files that document all client engagement research, analyses, conclusions, and reports. These workpaper files are well organized, well documented, and adequately labeled. These workpaper files (a) include all documents and data that are relevant to our final engagement conclusions and reports and (b) exclude all documents and data that are irrelevant to our final engagement conclusions and reports. Consistent with the firm's record retention policy, all workpaper files (a) are transferred to permanent storage at the conclusion of each client engagement and (b) are destroyed after the appropriate record retention period expires.
10. We complete a Case Closing Form at the conclusion of each client engagement. Data on the Case Closing Form are important informational inputs to the firm's business development/institutional experience database. In addition to documenting the closure of the client engagement, the Case Closing Form reminds us to (a) collect all outstanding client receivables and (b) file all engagement workpapers in permanent storage.

Continued from page 2

In addition, the firm precepts are often used to protect and empower managers, associates, and support staff. When employees are pressured (by either other employees or clients), they can always refer to the firm precepts for support. For example, the precepts clearly and concisely summarize firm policy with regard to engagement letters, client payment, work-product professional standards review, and so forth.

Of course, our firm's specific ten precepts will not have general application to all accounting and consulting firms. However, our precepts are basic ideas that are not subject to copyright. Readers are free to adapt or adopt whatever precepts they find useful. As our firm expanded over the years, we found it helpful to have a clear, concise, and cogent list of behaviors that all analysts could refer to. Such a list of precepts helps management reinforce several basic administrative and professional policies and procedures and keeps all analysts from inadvertently deviating from the firm's standard protocols.

Each litigation support or valuation firm should develop its own list of employee precepts. But, the fact that the professional services firm has such a list of precepts helps the multiple-office (and multiple-discipline) firm to function more effectively as one firm. ●

Caveat and Clarification

Practitioners need to be aware of the limits applicable to the guidance offered in the October/November 2004 *CPA Consultant* in the lead article, "Discounting Economic Losses to Present Value" by Dan M. Cliffe, CPA. In writing about the determination of an appropriate discount rate, the author is referring *only* to litigation involving damages to individuals (for example, lost wages due to personal injury or wrongful termination of employment.) It would be in error to apply the guidance in the article to business damages.

As was pointed out, the article is based on a chapter contributed to a recent AICPA publication: *Measuring Damages Involving Individuals-a CPA's Litigation Service Guide with Case Studies*, edited by Holly Sharp, CPA, CFP, CFE (a paperback with CD-Rom).

A Few Lessons Learned at the AICPA National BV Conference

Good humor opened the AICPA National Business Conference, November 7–9, 2004 at the JW Marriott Orlando Grande Lakes in Orlando, Florida. The good humor was provided by the Capitol Steps, a troupe based in Washington, DC. These former Congressional staffers-turned-comedians create song parodies and skits to satirize the current political scene, using the music of well-known or currently popular songs. For example, in response to one of President Bush's malapropisms, the troupe created "Don't Go Faking You're Smart," sung to the tune of Elton John's "Don't Go Breaking My Heart." Their skits were up to the minute—and "fair and balanced"—focusing primarily on the four candidates for President and Vice President in the national elections that took place a few days before the conference opened.

Getting Down to Business

The hilarity of the Capitol Steps relaxed conference participants. With this generally relaxed atmosphere, the conference shifted to serious sessions intended to bring practitioners up to date and to hone their skills.

Space doesn't permit citing more than a handful of the 37 conference sessions or providing the depth of knowledge or insights of the presenters. But most sessions are included on a CD of the conference as well as on audiocassettes. (Go to *www.conferencemediagroup.com* or contact 800-575-0580 for credit card orders.)

The concurrent sessions fell into four track categories: core, litigation, hot topic, and value-added. The first set of concurrent sessions, for example, offered as a core session, "Basic Financial Ratio Analysis" presented by G. William Kennedy, PhD, CPA/ABV, co-director of valuation and litigation support services at Anders Minkler & Diehl LLP, St. Louis, Missouri. The litigation session, "Personal Goodwill v. Professional Goodwill" was offered by Jay E. Fishman, ASA, CBA, of Kroll Zolfo Cooper. Fishman covered the complexities of identifying, valuing, and distributing marital resources, focusing primarily on the distinction between personal goodwill and practice goodwill.

The other two of the first set of concurrent sessions were in the "hot topic" track: Robin Taylor's presentation, "Fraud Awareness for Valuation Professionals," is the basis for an article published in the Winter 2005 *CPA Expert*. The other hot-topic session was titled "A Practical Approach to FLPs: It's Not All Doom and Gloom," presented by David D. Aughtry, a lawyer with Chamberlain, Hrdlika, White, Williams & Martin, Atlanta. Aughtry cited several court cases that challenged FLPs under Section 2036 of the Internal Revenue Code. From these cases, Aughtry drew "lessons" for FLP planning for new and existing partnerships.

For example, from the much publicized case, *Estate of Strangi* v. *Commissioner,* 115 T.C., 478 (2000), aff'd in part and rev'd in part 293 F.2D

Continued on next page

Letters to the Editor

Focus encourages readers to write letters on business valuation, forensic, and litigation consulting services issues and on published articles. Please remember to include your name and telephone and fax numbers. Send your letters by e-mail to *wmoran@aicpa.org.*

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279 (5th Cir. 2002), remand T.C. Memo 2003-145, Aughtry gleaned the following guidelines under the heading of the general guideline, "Avoid giving the client 'control' over the contributed assets:"

- Avoid placing the client in a position in which he or she has control over the partnership distribution.
- Do not make the client general partner or allow the client to have enough power to remove the General Partner (GP) and place himself or herself or another person in the role of GP.
- Avoid placing the client in a position in which he or she can dissolve the FLP.
- Avoid creating the FLP through an agency relationship (power of attorney). Avoid giving the client's attorney-in-fact management responsibilities.
- Consider hiring an unrelated party to handle the day-to-day management of the FLP and the GP entity. This also supports the legitimate business purposes of the FLP.

Aughtry offered several more guidelines. An audiocassette of his presentation is available for sale.

Doubting Jerome

In a presentation titled "Controversial Issues of Business Valuations in Divorce Actions," Jerome W. Karsh, CPA, challenged his audience "to think about the things you do know or believe." Karsh, who is based in Denver, suggested that some valuation analysts believe that "because business valuations are achieved by mathematical calculations that somehow this brings them into some kind of scientific realm." He believes, however, as has been often said, "that the valuation of the closely held business is an art—not a science—and to represent otherwise presents an objectivity that doesn't exist."

Mr. Karsh's essential message to valuation analysts was to dig deep. For example, one of the issues he addressed concerned financial statement adjustments and econometrics. He asserted that one subjective aspect of a business valuation is determining reasonable "officers' compensation." He noted that, although many wage-salary studies are available, "it is difficult to find consensus among them." Mr. Karsh would have valuation analysts ask what the study provider did to verify the accuracy and reliability of the information. He says further, "In valuing closely held businesses, if econometrics and statistics are used in arriving at an opinion of value, they may or may not be representative of the subject company. We are often dealing with individualist enterprises that may be unique . . . and for one reason or another are difficult to profile if an entire population of businesses are in the same industry." The many variables include location, key personnel, the enterprise's efficiency, its capital and capital structure, its debt structure, employee benefits and retirement plans, the owners' business philosophy and business ethics, and the age of the facility and its furniture, fixtures, and equipment.

In view of these possible differences between companies in the same industry, Karsh advised valuation analysts, as have many speakers at AICPA BV conferences, to visit their subject company's facilities.

(An audiocassette of Mr. Karsh's presentation is also available.)

Equity Risk Premiums

Valuation analysts were brought up to date on resources for estimating a reasonable equity risk premium by Micahel W. Barad, vice president of Financial Communications at Ibbotson Associates and Roger J. Grabowski, ASA, a managing director in Standard & Poor's Corporate Value Consulting practice. In their presentation, "Equity Risk Premium: What Valuation Consultants Need to Know About Recent Research," Messrs. Barad and Grabowski cited numerous studies and analyses. Their objective in doing so was to make valuation analysts aware of recent research.

In the materials provided by the presenters was the statement: "Many appraisers have adopted the historical realized equity premiums since 1926 as reported by Ibbotson Associates in developing their discount rates, without being aware of the avalanche of recent research questioning the use of those realized equity premiums as an estimate of the equity risk premium." This statement comes from a chapter contributed by Mr. Grabowski and co-author David W. King, CFA to the *Handbook of Business Valuation and Intellectual Property Analysis* edited by Robert F. Reilly and Robert P. Schweihs, recently published by McGraw Hill.

In his presentation, Mr. Grabowski cited many resources that discuss the recent research. Most that he mentioned are in an extensive list in this chapter. In addition, Mr. Grabowski recommended that practitioners go to *www.sandp.com* and click on "CVC." This will give them access to Grabowski's and King's research on equity risk premium.

Next Year: A Joint Venture

These thumbnail summaries of a few sessions don't show the wide variety and timeliness of the 37 sessions. Since its inception, the AICPA BV Conference has been an outstanding resource for business valuation professionals.

Next year's national business valuation conference will be a joint venture of the AICPA and the American Society of Appraisers. The conference is scheduled for November 14–16, 2005 at the Bellagio Hotel and Casino, Las Vegas.

Visit the new BV/FLS Web site at www.aicpa.org/BVFLS

Q&A ON BUSINESS VALUATION AND FORENSIC & LITIGATION SERVICES

Questions from members; answers from AICPA professional staff

By James Feldman, CPA/ABV, MBA and Eleonora Tinoco

The AICPA's Business Reporting and Member Specialization Team, Business Valuation and Forensic & Litigation Services division answers questions from AICPA members as one of its services to members. Because members may have the same questions, we publish some of our responses here.

QUESTION:

A client is willing to hire me for a business valuation engagement in connection with a divorce case, but I do not hold a business valuation credential. Is there any requirement in a court of law or AICPA pronouncement that would prevent me from performing this engagement?

ANSWER:

No, there is no requirement that you possess a business valuation credential in connection with testimony you present in court. Nor are there any AICPA pronouncements that would bar you from performing the proposed valuation engagement or presenting testimony on the valuation in court. But you would, of course, be required to comply with the *Statement on Standards for Consulting Services* and the *AICPA Code of Professional Conduct*. In particular, the *AICPA Code of Professional Conduct* requires professional competence as stated in Rule Section 201, General Standards:

> ***Professional Competence:*** *Undertake only those professional services that the member or the member's firm can reasonably expect to be completed with professional competence.*

The answer to your question will not change even when the AICPA issues the *Statement on Standards for Valuation Services* (which will contain standards for performing and reporting a valuation of a business, business ownership interest, security, or intangible asset). The *Statement* will not require that AICPA members hold a business valuation credential.

In connection with this question, we recently provided general guidance to an AICPA member who not only did not possess a business valuation credential, but also had not previously performed a formal business valuation engagement or testified in court. In this particular case, the member, fortunately, previously completed graduate level courses in finance and had taken a course in business valuation. So, given this education, we were able to offer this member some helpful hints. The member's testimony was successful for the client, but we knew that the member had an edge in his case because there was no opposition testimony to be presented.

In the case of a divorce, on the other hand, there will usually be opposition expert testimony so credentials become important, or even critical. Consider, for example, the divorce case in *Mosley v. Mosley*, 2002 Tenn. App. Lexus 168 (Tenn. Ct. App. March 4, 2002). The husband hired a CPA without business valuation credentials to perform the business valuation. The wife hired a CPA with business valuation credentials, including the AICPA's Accredited in Business Valuation (ABV) credential. Although the court considered the technical merits of each CPA's expert testimony, the court adopted the testimony of the wife's expert, specifically citing that the wife's expert had business valuation credentials.

It's important to note that an "expert witness" is by definition someone who has special knowledge, skill, or experience in the subject about which he or she testifies. Although individuals have successfully testified in court on valuation matters without possessing business valuation credentials, holding a recognized credential helps to establish special knowledge and can enhance your credibility in court. For information about obtaining the AICPA's ABV credential, refer to *http://www.aicpa.org/bvfls.*

Amplification

In response to a member's query about referral fees in the October/November 2004 issue of *CPA Consultant*, we advised the member that paying or accepting fees are permitted as long as the member complies with the pertinent rule from ET [Ethics] Section 503.01 C. *Referral Fees*, which requires members to "disclose such acceptance or payment to the client."

Additional Considerations

Members should also be aware that other entities are involved in regulating CPAs on this issue, including state governments, state boards of public accountancy, and state CPA societies. These entities may have more restrictive rules, additional requirements, or both. Members also need to be aware of the applicable rules of other organizations they may belong to that take a position on this issue. In some states, such as California, for example, the rules expressly prohibit CPAs from paying referral fees.

Among the Top Ten CPA Firm Services: Business Valuation and Litigation Services

Optimism about the upcoming year emerges as a key finding of the 2004 PCPS/TSCPA National MAP Survey. Here's a summary of the survey findings.

Business valuation and litigation services placed among the top 10 specialized services offered by firms responding to this year's PCPS/Texas Society of CPAs (TSPCA) National Management of Accounting Practice (MAP) Survey. Topping the list was estate tax planning at 74.1%. Fifth and sixth were business valuation (47.4%) and litigation services (43.3%). Mergers and acquisition consulting placed eighth at 31.9%. A list of the top ten specialized services is in the sidebar.

The total number of firms offering investment and securities sales decreased from 16% to 10.5%, while payroll processing fell from 65% to 59%.

Growth in Revenues and Services

Local and regional firms across the U.S. reported revenue growth, salary increases, and expansion of core service offerings in 2004. Thirty-two percent of the 2,373 local and regional firms surveyed this year experienced an increase in revenue of at least 10%, while 14% indicated an increase of greater than 20% in their most recent fiscal year. Among responding firms that increased revenue by more than 20%, approximately three-quarters attributed growth to general business growth. The firms also are optimistic heading into 2005.

The average total revenues for CPA firms responding to the survey were $1.48 million. Profits increased slightly as a percentage of total income from 36% to 36.8% over the 2003 survey results. Consistent with last year's findings, the three largest sources of income for local and regional firms are tax services (48.5%), compilations (12.5%), and write-up/data processing (12%).

"This year's survey results confirm what we've heard anecdotally that local and regional CPA firms are thriving in the current business environment," said Richard J. Caturano, Chair of the PCPS Executive Committee. "This year, PCPS is providing a detailed commentary on CPA best practices, which cements the PCPS/TSCPA MAP Survey as one of the most valuable tools available to help firms run their practices." Mr. Caturano is President of Vitale, Caturano & Company, a leading CPA firm in Boston.

Reaching Out to Clients

The survey asked CPA firms about effective marketing techniques. The top three marketing efforts by local and regional firms are newsletters (43.1%), trade group memberships (38.9%), and advertising (35.1%). Tele-prospecting (4.3%) is considered the least effective. A majority of firms have created working partnerships and alliances with other CPA firms (55.1%).

In a subsequent AICPA Web cast, presenters covered highlights from the survey for the purpose of helping firms build more successful and rewarding practices. The Web cast panelists discussed the success habits of the top performing firms and how they themselves are using the survey results in their own practices. The marketing tips offered by the panelists included the following:

- Develop a marketing plan and stick with it at least two years to see it reach full potential.
- Enhance the marketing effectiveness of your Web site by—
  - — Making the site a place where clients and prospects can access commonly requested information and materials.
  - — Providing insight to your clients on how you can serve them better.
  - — Increasing traffic to your site via e-mail newsletters. For example, you can encourage clients and prospects to access the site to read the article rather than including the full text in the e-mail.

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Top 10 Specialized Services Offered by Responding Firms

1.	Estate tax planning	74.1%
2.	Not-for-profits	66.6%
3.	Payroll processing	59.0%
4.	Forecasts and projections	56.0%
5.	Business valuation	47.4%
6.	Litigation support	43.3%
7.	Personal financial planning	43.2%
8.	M&A consulting	31.9%
9.	Strategic planning	27.2%
10.	IT software selection and implementation	26.8%

Continued from previous page

More Survey Findings

Other findings of interest include:

- *Earnings and rates*. On average, owners took home 37% of their firm's income. The average hourly billing rate for a professional earning $50,000 dropped slightly to $93 from $95 in 2003. Firm employees reaped the benefits of local and regional firm success. The average annual base salary increased 5.7% over last year and bonuses averaged 5.3 % of total salary.
- *Retirement plans*. Thirty percent of firms do not have a retirement plan, compared with 26% last year. In addition, only 37% provide for partner retirement, down from 45% in 2003.
- *Human resources policies*. Seventy-seven percent of firms offer their staff flexible work arrangements.
- *Outsourcing*. Almost three-quarters of CPA firms said they wouldn't consider outsourcing individual tax returns, while 16.8% said they would.
- *Gender demographics*. Most partners/owners are male (75%). However, for all nonowner designations, the majority of CPAs are females.
- *Going paperless*. Forty-one percent of respondents indicated that they would consider going paperless, while 20% already have done so. One-quarter of the firms plan to go paperless, and 13% will not consider it.

BV Standards in Final Stages

By Michael A. Crain, CPA/ABV, ASA, CFA, CFE

As I reported at the BV Conference in Orlando, our last major action step for getting the proposed AICPA Business Valuation standards to public exposure was to secure a recommendation from the AICPA Tax Executive Committee (TEC) for the BV standards to go to public exposure. To ensure that the tens of thousands of CPA tax practitioners understand how the BV Standards affect their practice, we jointly drafted, with the Tax Executive Committee, a set of questions and answers that will be issued as part of the Exposure Dealt (ED). Given the breadth and depth of implementation guidance needed, we only recently completed that process. To address those outstanding issues, members of AICPA staff as well as representatives of the BV Committee and TEC met on November 30 and December 1. Based on that meeting and subsequent telephone conferences, we have completed the questions and answers for tax practitioners.

Exposure Draft Coming Soon

The draft of the standards is going through editorial review and review from several other groups. When the process is completed, an ED will be published. It is expected that the effective date of implementation will be for engagements entered into after December 31, 2005.

I encourage you to reach out to your fellow CPAs in your states and encourage them to review and comment on the standards during the exposure period. We expect most, if not all, of the state boards of accountancy to incorporate the BV standards into their respective rules. Encourage all CPAs—including those in tax, audit and accounting—to read the document.

Education for Compliance

The BV Committee and AICPA's BV/FLS Membership Section staff currently are working on developing a program to educate CPAs on the meaning and implications of the standards. This effort will assist members in implementing the BV standards into their practice.

I would like to thank Ed Dupke, Jim Alerding, Jim Hitchner and Greg Forsyth, members of the task force charged with writing the standards, for their patience and perseverance during this project, which has taken several years.

—Michael A. Crain, CPA/ABV, ASA, CFA, CFE, is Chair of the AICPA Business Valuation Committee.

About PCPS/TSPCA National MAP Survey

This year marks the third consecutive year that PCPS, the AICPA community for CPA firms, has partnered with the Texas Society of CPAs (TSCPA) to produce the survey, and it is the second year the survey was sponsored by Aon Insurance Services, the broker and administrator for the AICPA Insurance Programs. For the first time, additional support was provided by Robert Half Management Resources. Forty-three state CPA societies and the Association for Accounting Administration also played a key role by encouraging their members to respond.

The survey was administered online to firms between June 30 and September 3, 2004. The 2,373 responding firms encompassed a diverse range of firm types, and the survey was modified accordingly to ensure that firms were asked questions relevant to their size and structure.

How to Get a Survey Report

Survey results are free to PCPS members. Others can purchase the National MAP Survey Results Report for $300 with a $100 discount to participants and a $100 discount for AICPA members. The participating firm report includes a customized PDF document as well as access to an online tool that allows firms to format and search the data to best fit their needs. The national report is available to nonparticipating firms. New this year is a detailed commentary on CPA best practices, and management insights will be available. For more information, call 1-800-CPA-FIRM or visit *www.pcps.org* and click on the 2004 PCPS/TSCPA National MAP Survey logo on the left side of the screen.

Don't Let Filters Block E-mails You Want

Some members have not been getting certain emails from the AICPA when others they know have. If you are having problems receiving emails that you usually receive, your spam blocker may be to blame. Because spam overwhelms many of our inboxes, Internet service providers such as AOL, Yahoo and MSN, provide filters or tools to help eliminate unsolicited email. Unfortunately, sometimes "filters" block email that you may want. For help in remedying this situation, please visit *http://www.aicpa.org/news/2004/2004_1130.htm.*

Digging Deeper

To gain an understanding of such technology and its virtues and drawbacks, read the comprehensive discussion provided in the recently published *A CPA's Guide to Understanding and Controlling Spam* (New York: AICPA, 2004) by Roman H. Kepcyzk, CPA, CITP. Kepcyzk devotes a significant portion of his book to "a variety of lists that organizations can use to minimize spam volume."

Kepcyzk cites RBLs (Real-Time Block Lists) as one of the more effective tools an organization can use to reduce the volume of spam. RBLs, sometimes called *blacklists* or *boycott lists*, identify spammers at their root servers or those servers they use to relay spam, and maintain a list, which is made available to the public either for free or a minimal fee. You can import these lists into your firm's e-mail filters to block messages.

Kepczyk also discusses *white lists*, which "identify valid e-mail addresses from individual senders or domains that the organization normally corresponds with and allows through any e-mails from those organizations." He adds," If using a white list, it is imperative that users be trained to update the list with every new contact or organization with whom they wish to communicate." White lists can be populated by using a *challenge/response system* to direct all incoming e-mail to a Web server that stores the e-mail and automatically replies to the sender with a challenge that must be completed before the e-mail is forwarded to the recipient.

Kepcyk provides a detailed, comprehensive discussion of the advantages and disadvantages of these tools. He also provides a list of "Antispam Resources." Furhermore, he describes some of the predominant e-mail features that make e-mail usage more effective.

A CPA's Guide to Understanding and Controlling Spam is available in print format or it can be downloaded in pdf format. In either format, the cost for AICPA members is $25.00. Members of the AICPA Information Technology Section were sent a gratis copy as a benefit to membership in the section. To purchase a copy, contact *www.cpa2biz.com.* The product number is 091015.

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